**Abstract**

The word “Tax” is derived from the Latin word called Taxove and Taxo means to estimate, appreciate or value.  The word Income Tax itself implies it is a tax on earnings.  It plays vital role in the national economy.  The ever increasing functions of the government have naturally lead to increasing expenditure for instance achieving the social and economic objectives laid down in the constitution, reducing the inequality of income, removing the concentration of economic power in few hands, balancing regional economic growth and so on.